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The British Columbia Buildings Corporation is a Crown corporation established by legislation in 1976 to bring strict accountability to the provision and allocation of government accommodation.

Using a market based pricing system to the maximum extent possible, the Corporation establishes rents which are charged to government ministries for the space they occupy. The Corporation thus fulfills its mandate to be revenue dependent, while ministry budgets more accurately reflect the costs of government programs.

The Corporation represents a unique departure from the ministry or department approach to the provision and maintenance of accommodation for government in three important ways:

- Overall direction is vested in a Board of Directors on a basis broadly comparable with the private sector
- Operations are financed through revenue derived from charging for the space and services provided
- Capital projects are financed through borrowings and internally generated funds.

The Corporation is accountable to the Legislature through the Minister of Government Management Services.

The cover features the employees who took their Corporation to national and international recognition during a year of record achievements in work and personal generosity. *(see page 20)*

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Five Year Highlights

Year Ended March 31

$ thousands

FINANCIAL	**1990**	**1989**	**1988**	**1987**	**1986**
Gross Revenue	**266,583**	260,125	250,104	239,885	234,547
Operating Income	**66,797**	73,813	67,394	66,539	69,053
Interest	**47,679**	45,655	44,429	61,247	65,858
Net Income	**19,118**	28,158	22,965	5,292	3,195
Cash Flow	**46,324**	67,757	51,148	36,877	39,583
Total Assets	**719,333**	643,882	592,000	567,458	791,352
			Per Cent		
Operating Income Margin	**25.1**	28.4	26.9	27.7	29.4
Return on Investment	**11.7**	13.1	10.4	10.2	10.4
Return on Equity	**16.2**	26.4	22.1	5.1	3.0
PROPERTIES			**Square Metres**		
Owned	**1,299,355**	1,310,213	1,303,960	1,300,433	1,355,019
Leased	**505,271**	469,321	459,946	442,577	436,619
Maintained	**80,048**	78,203	78,420	79,003	104,424
	1,884,674	1,857,737	1,842,326	1,822,013	1,896,062
STAFF					
Total Authorized Complement	**785**	788	870	939	999

His Honour
The Honourable David C. Lam, C.M., K.St.J., LL.D.
Lieutenant-Governor of the Province
of British Columbia

MAY IT PLEASE YOUR HONOUR

The undersigned has the honour to present the Annual Report of the British Columbia Buildings Corporation for the year ended March 31, 1990.

Carol Gran
Minister of Government Management Services
and Minister Responsible for Women's Programs
Province of British Columbia

Board of Directors

Thomas A. Toynbee, Chairman
Businessman
Ganges

Dennis Truss
President
and Chief Executive Officer
Victoria

James R. Chabot
Retired
Invermere
(to October 9, 1989)

M. A. (Mac) Christie
Businessman
Burnaby
(from March 14, 1990)

Dorothy Coulter
Businesswoman
Armstrong
(from February 14, 1990)

Len Fox
Businessman
Vanderhoof

Gordon L. Hunter
Businessman
Victoria

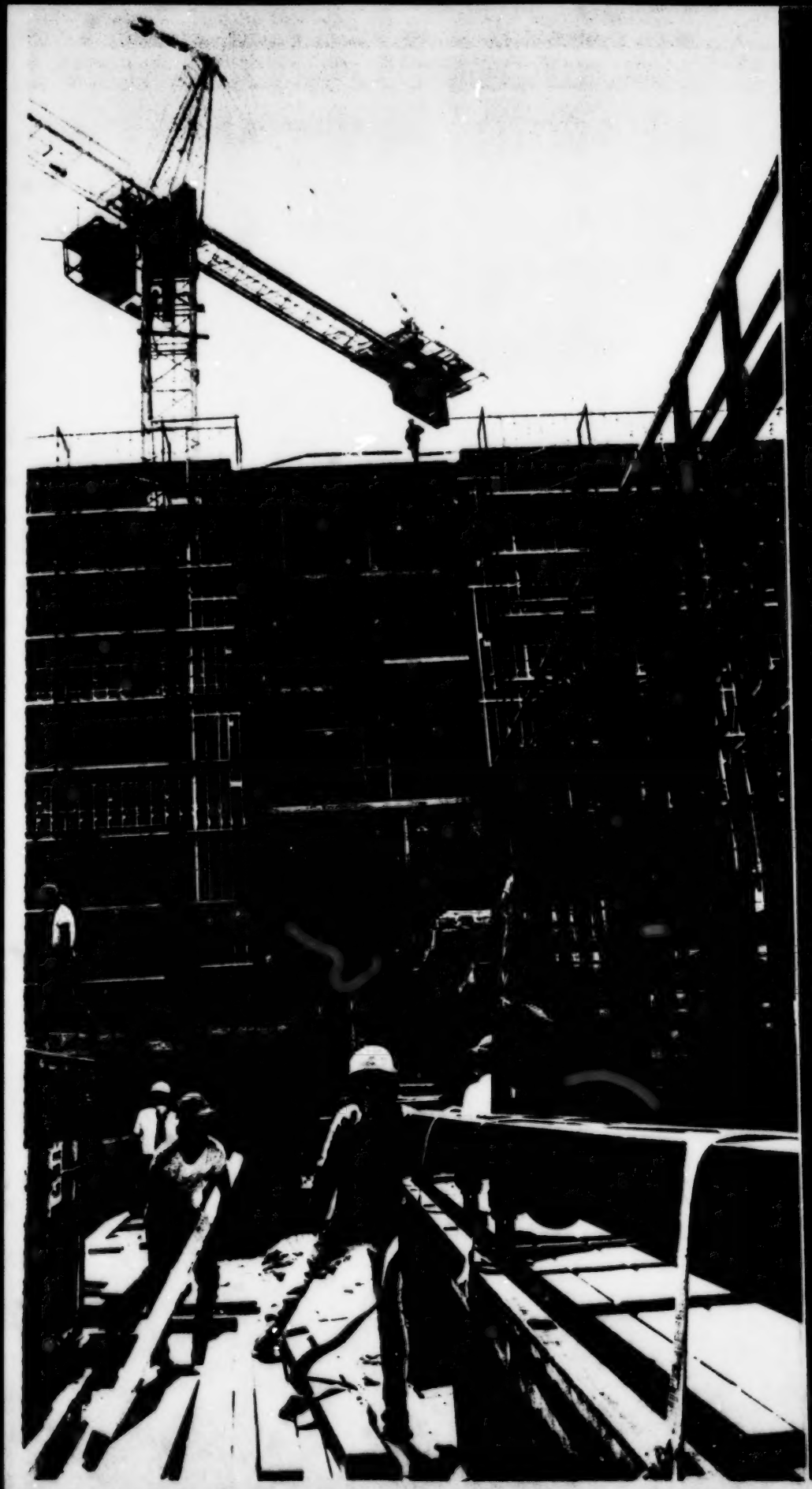
Robert E. Parkinson
Businessman
Victoria

Dan Peterson
MLA
Langley

Gordon Robson
Businessman
Maple Ridge

John Wittenberg
Retired
Abbotsford
(to December 21, 1989)

Audit Committee: Messrs. Parkinson (Chairman), Fox, Hunter



As the province's largest landlord, the British Columbia Buildings Corporation significantly affects the construction, real estate and associated industries.

In Victoria this new head office is being constructed for the Ministry of Municipal Affairs, Recreation and Culture. As a developer-lease project, the building will be owned by a private developer and leased by the Corporation for an initial period of 10 years. However, the design and construction is overseen by the Corporation to ensure that the office will meet the client ministry's requirements and Corporation standards. For some particular projects, such a developer-lease is the most economical alternative.

President's Report

It is with much pleasure and pride that I report on the Corporation's activities and achievements for the 1989/90 fiscal year. The year was marked by our highest ever levels of capital spending, client requests and leasing projects, yet we were able to meet our clients' requirements with a high degree of satisfaction. We took many important steps to further improve our service delivery in keeping with one of our principal objectives for the year. We also met our other main objectives by positioning ourselves to better market our products and services to the British Columbia public sector, further enhancing our productivity, and continuing to invest in our people so that they will be able to meet tomorrow's challenges.

Improving Service to Our Clients

The Corporation has always operated with a strong commitment of providing a high level of service to its clients. Notwithstanding our record, we undertook more important initiatives in the past year than in any other year in our history to move toward our ultimate goal of service excellence. The cornerstone of our service enhancement initiatives was the comprehensive surveys and follow-up interviews with ministry client contacts, and a confidential questionnaire sent to all our employees. The results of these surveys were then discussed and debated by several groups of managers and supervisors and, following this process, an extensive action plan was developed which targeted four main areas: delivery of small projects, communication with clients and within the Corporation, accommodation standards and further training of our people.

The actions we initiated included:

- we increased our project management capability in Property Management by adding seven project superintendents; also, project roles and responsibilities were clarified to ensure better management.
- to recognize the high level of customer demand in all areas of the Corporation, we also added people to our Client Services, Leasing, Project Management, and Planning and Programming departments.
- we arranged specific meetings with clients and took action on a number of matters, including the sharing of accommodation-related information, the Corporation's billing system, the installation of communication cabling, the Corporation's approach on leasing assignments and the management of cleaning contracts.
- the Client Panel met to discuss changes to the *Accommodation Manual* and to review possible approaches for making the accommodation standards more contemporary.
- our cleaning standards were further upgraded and, to enhance service delivery at the local level, we increased our delegation of authority.
- to improve communication with our customers, we introduced the PROFS electronic mail system used by our ministry clients to all Property Management Units and our Client Services Department.
- we increased our maintenance spending with significant emphasis on asbestos abatement projects. Also, we developed an information program about asbestos in buildings and met with senior client representatives, ministry safety personnel and local clients to explain, both generally and specifically, our comprehensive asbestos management system.

Meeting Clients' Space Needs

.We took a number of steps to better meet our clients' space needs, the most significant of which was the transfer of the Space Management Department to the Real Estate Group and the creation of a Portfolio Management section in the Group. The subsequent reorganization of this Group resulted in the introduction of the new Gateway concept which will not only make the handling of new space requests more efficient but will more effectively utilize Corporation resources.

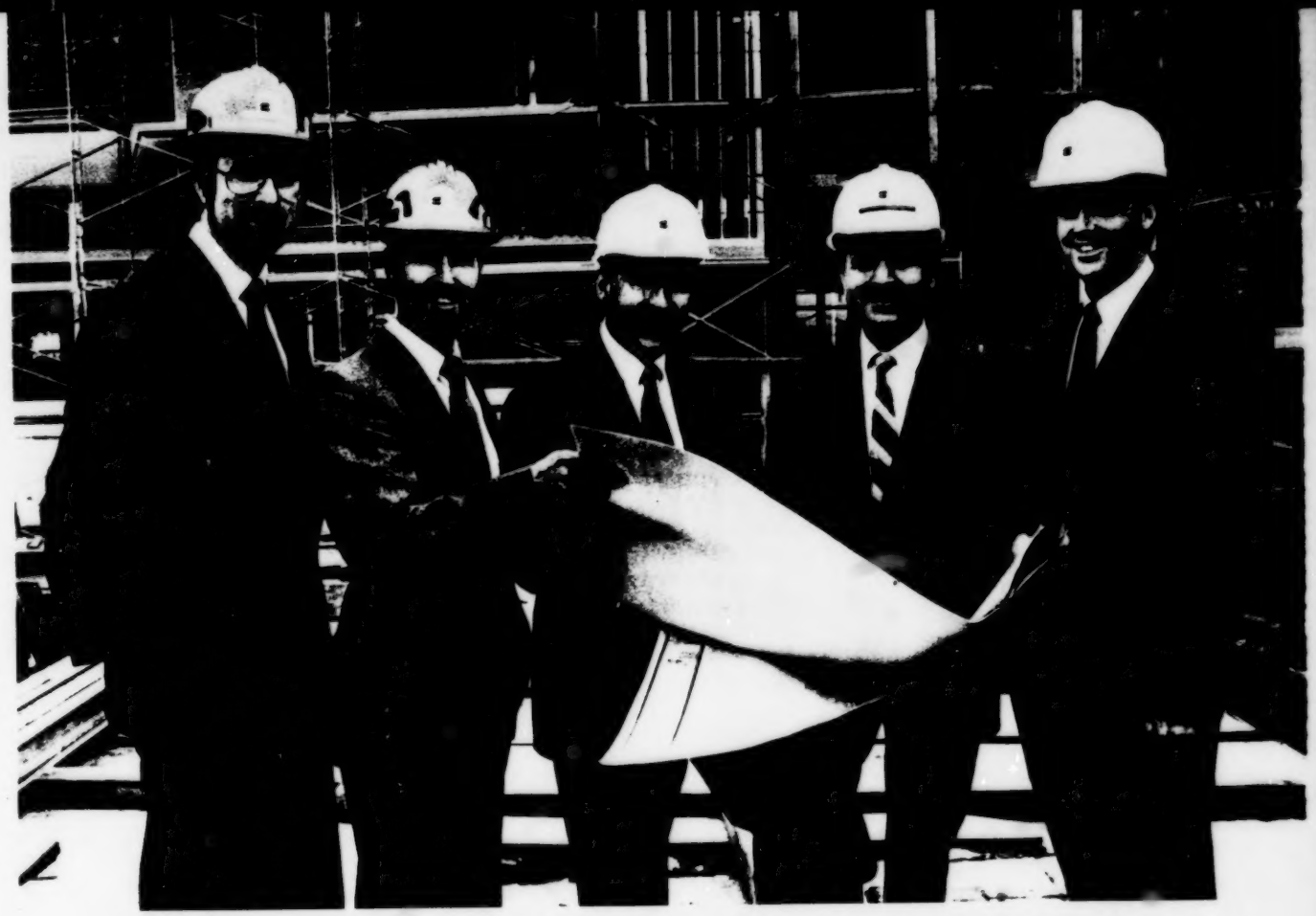
Comprehensive community space plans were developed for Victoria and Vancouver which will serve as reference points for planning future moves for ministries as well as having a positive impact in those communities. Providing space for Government users is always a dynamic process because of the inherent number of changes involved; however, these and other future plans will allow us to better anticipate emerging opportunities in both our owned and leased space portfolio and will identify where it will be strategically sound to consolidate ministry locations, build or lease new space and/or dispose of space no longer suitable for our clients.

The Leasing Department faced a significantly increased number of assignments as several of our clients were undergoing extensive reorganizations of their field operations. As a result of these and other activities affecting our leased space portfolio, the Department completed 216 new leases, an increase of 41% over the previous year, and 160 lease renewals, an increase of 62%.

Major Capital Projects

Capital spending in the past fiscal year reached the highest levels ever, at $94.3 million. Included in this activity are the three Oakalla replacement projects: the Fraser Regional Correctional Centre, the Burnaby Correctional Centre for Women and the Surrey Pre-trial Services Centre. These facilities are scheduled to come on stream in June and November 1990 and May 1991 respectively. In addition, the Prince George Youth Containment Centre was completed and construction of the Maple Ridge and Surrey courthouses proceed on schedule.

Nine Forests District Offices and warehouses were completed, most under the developer proposal concept. The Development and Property Management groups did an excellent job of ensuring that these distinctive leased space projects met the Ministry's requirements as set out in the public proposal calls. As well, 10



Corporation President and Chief Executive Officer Dennis Truss (centre) with Client Services Manager Ian Maitland, Leasing Manager Gary James, Project Manager Haji Charania, Property Manager Barry Herring at a developer-lease project that involves employees from throughout the Corporation's groups.

major renovations projects were completed.

Marketing our Products and Services

Over the years, the Corporation has become known for its capabilities in a number of important areas, and we have been pleased to share our expertise with several publicly funded organizations, including the BC Systems Corporation, the Assessment Authority of British Columbia, the University of Victoria and the 1994 Victoria Commonwealth Games Society. In the past year, we took further steps to more actively pursue opportunities to meet the accommodation requirements of other public sector organizations in the Province —to become "the agency of choice" as noted in our mission statement.

During the year, we completed the staffing of our Marketing Department and developed our first marketing plan. We took steps to get our people throughout the Corporation thinking more about possible marketing opportunities. We recognized early on that, because of our geographical dispersion, a team approach would be used wherever possible to attract and service new business opportunities. The teams would comprise representatives from the Marketing Department and other parts of the Corporation as appropriate, either Property Management or Head Office groups. A number of Regional and Property Management Unit conferences had significant parts of their agendas dedicated to marketing, with particular emphasis given to the team approach in working with potential clients.

We will be concluding negotiations with the BC Mental Health Society (Riverview) to provide accommodation and operations and maintenance services for five years with a further five years at the Society's option. We are working closely with the District of Kitimat and Northwest Community College for a combined facility in Kitimat, and with a number of other societies in various parts of the province with respect to health-related facilities. We are doing some energy-related consulting work for BC Hydro and hope to expand our business relationship with this Crown corporation in the near future.

We have made a good start in this new direction and I believe we can look forward to significant achievements of benefit to the public sector and, hence, the taxpayers of British Columbia.

Enhancing Our Productivity

We have never been an organization content to sit back and reflect on past achievements; part of our culture is to continually seek new or smarter ways to do things, whether it be in areas which directly impact our clients or in administrative areas which, though largely invisible to our clients, will benefit them indirectly.

This year we introduced two state-of-the-art computer based management systems in our Development and Leasing areas. DELTA and LASAR replaced outdated systems and will further improve our construction and leasing project management effectiveness. These systems and the approach used in their development are the latest examples of what we have been doing since we started up. The results have been remarkable—a comprehensive set of user driven information systems are in place at an annual cost equivalent to only 1.2% of revenue, whereas recent independent surveys show the private sector average at 1.9% of revenue.

The Leasing Department's LASAR system was developed by the Management Systems Department working with Leasing. Systems Project Managers Ken Brandt and Mike Van Campen, Leasing Assistant Shelley Moen, Lease Negotiator Mike Stone.

During the year, we undertook a review of our administrative procedures to identify where we could streamline activities and eliminate duplication and redundancy of effort. Several opportunities were identified which gave rise to other initiatives. We streamlined our authorities and appropriation system, enhanced the processing of purchase orders and are looking at our billing system with our clients to determine what improvements can be made.

In our business, the biggest opportunity area is ensuring that our real estate portfolio is performing satisfactorily from both financial and functional points of view. We recently reorganized our Real Estate Group to place a greater focus on portfolio analysis and asset management. We will draw on the expertise in various parts of the Corporation to examine individual or groups of properties and buy, sell or lease proposals. We have a number of key properties requiring critical attention, including several institutions coming to the end of their functional lives, which are located on very valuable lands and over 160 Highways yards which are now being leased to private sector road and bridge maintenance contractors.

During the year, we sold 47 surplus properties for some $9.7 million allowing them to be used for productive purposes in the private sector, while contributing $3.3 million to our year's net income. We made important progress with respect to the Oakalla lands; working closely with the Municipality of Burnaby and our consultants, we now have in place an approved community plan and are working on the early stages of rezoning the property. Present plans call for the development of 565 housing units in 11 enclaves, with 17 acres to be added to Deer Lake Park. It is expected that the last of the inmates will be transferred from the present Oakalla facility sometime in mid-1991, and development activity should follow soon after.

We held a major trade show and participated in Market Discovery '89 to ensure that the supply community was more aware of the Corporation and how more businesses and individuals could seek to provide needed services to us. Over the years, we have greatly expanded our use of the private sector and have actively promoted supplier development. We have found trade shows to be a highly successful way to further these goals.

Purchasing Co-ordinator Mike Beaumont (centre) talks with people visiting the Corporation's display booth at Market Discovery in Vancouver.

Energy Management Milestone

Since we began our energy management program 11 years ago, we have continually found more and more creative ways to save energy. What began with measures as simple as turning off lights, turning down thermostats and greater use of weatherstripping and insulation, gradually moved into undertaking major retrofits of heating plants, then evolved into using state of the art computer-based energy management control systems.

The results have been monumental: cumulative savings of $50 million have been achieved and we are now, on average, using 55% less energy than we did 11 years ago. As an example of the impact of our program, our 1981/82 energy costs were $17.2 million; in 1989/90, these

Forests District Manager Russ Trenaman and the Corporation's local Operations Superintendent Don Unger at the recently completed Prince George District Forests Office.

costs totalled $12.4 million, a reduction of 28% without considering inflation. The Corporation's program has been recognized internationally several times and, in the past year, the new energy system we installed in the heritage Dogwood Building in Victoria won another ASHRAE international award.

Continuing to Develop Our People

We have always placed a high priority on developing our people to better enable them to accept greater challenges in meeting our clients' accommodation and service requirements. During 1989/90, we continued this tradition; however, the substantial increase in business activity, which followed a significant drop in permanent manpower the previous year, presented increased challenges to all of us. While our people responded well, we also recognized the increased business demands by hiring 50 new employees into various parts of the organization. This infusion of new talent has been very positive as it has allowed these top calibre people to share with us their fresh approaches and experiences.

We continued to present many different training programs to help our employees expand their skills. The cornerstone of our training is the Commitments course which has been instrumental over the years in reinforcing to our supervisory people the principles by which we operate the Corporation and the values for which we stand in serving our clients and managing our people. Last year, 12 in-house courses and seminars were held, which were attended by 232 employees. We also encouraged and supported many of our staff who took external courses related to their particular responsibilities or career aspirations.

We committed to further enhance our training value by making programs more specific to individual or groups of employees' needs. We have started developing profiles of each position in the Corporation in terms of what is required by way of experience and/or education; these criteria will be matched against the employees' particular backgrounds to identify what types of training are desirable.

We continued to provide opportunity for our people to achieve personal and/or career growth as 105 employees had a significant job change. We also delegated additional authority to many of our employees which has allowed them not only to grow in their positions but also to improve service to our clients.

The various conferences held by groups, departments and property management units placed increased emphasis on allowing employees to participate even more in decisions affecting client service and the objective setting process for their work areas.

The Corporation's Mission Statement "To satisfy the accommodation needs of the Ministries of the Province of British Columbia and to be the agency of choice for other public sector organizations' real estate needs" is supported by the six points of the 1990-91 Business Priorities Plan.

We were very pleased that our approach to managing the Corporation and serving our clients was recognized by *The Financial Post* in its new edition of the book, *The 100 Best Companies to Work For in Canada.* Our Board of Directors and our employees, both past and present, share the credit for this achievement.

Solid Financial Performance

On the financial side, we achieved positive results overall; however, our net income and returns on investment (ROI) and equity (ROE) were both below last year's levels and our annual plan for the year. Our net income was $19.1 million, with ROI at a healthy 11.7% and ROE 16.2%. We did not achieve the total gains from the sales of surplus property that we did last year simply because the number of properties no longer needed for client programs was substantially reduced. In addition, we had to spend more on maintenance to handle some

The British Columbia Assessment Authority was among the Corporation's first non-ministry clients. Project Manager Peter Clark, BCAA Director of Finance Gordon Zorn, Marketing Director Bill Bird, BCAA Deputy Assessment Commissioner of Support Services Bill Headen at the Assessment Authority's head office in Victoria where the Corporation is project managing complete renovations of BCAA space in the building.

unplanned requirements and to manage a number of asbestos abatement projects.

Maintaining Sound Environmental Practices

We took positive steps to manage our business with a strong awareness of the environment, long before this became fashionable. Our energy management program was started 11 years ago and has achieved dramatic results as already mentioned; as well, we have managed with considerable care PCB's and CFC's and have been dealing with asbestos-related matters in a proactive manner since the early 1980's.

With the strong support of our Board of Directors, we have increased our commitment to the environment. We have established an Environment Plus Committee of concerned employees from around the Corporation and this action-oriented group is providing valuable leadership in our continuing efforts. Our environmental value statement has been communicated to all our employees and we have encouraged everyone to become involved both at work and at home. We have been active in supporting paper recycling in Government and will expand the opportunities for our clients to get further involved. We have undertaken several initiatives, ranging from a review of our technical standards to using recycled motor oil and encouraging all our employees to use coffee mugs in place of disposable cups.

We recently hired a well qualified Environmental Coordinator to bring a full time focus to our activities and to promote environmental knowledge and awareness. I am confident that, with our past record, the commitment of our employees and our present initiatives, we will continue to be a leader in this area.

Priorities for Next Year

For the coming year, we have set a number of objectives that will allow us to further enhance our performance:

- we are emphasizing improved teamwork in the development of all plans and objectives and in the delivery of all services. Intergroup and inter-departmental cooperation, communication, problem solving and decision making will be improved.
- key priorities in delivering our services include: getting closer to our clients to better understand their needs, achieving faster turnarounds on small projects, taking more initiative and sensible risks, and updating accommodation standards with our clients' direct involvement.
- our marketing strategy will reflect the needs of our existing clients and opportunities elsewhere in the public sector. All products and services will be identified clearly and priced competitively with appropriate strategies developed for each. The team approach will continue to be used in our marketing and we will better communicate with all our important stakeholders.
- we will become more proactive in managing our portfolio to better meet our clients' needs.
- developing our people will continue to be a major priority. Our training plans will be based on the thorough needs assessment currently being undertaken, will reflect our employees' own aspirations, and will emphasize giving them more responsibility whenever possible.
- we will conduct our business with an even greater emphasis on the environment. Our employees will be encouraged to get further involved and will be empowered to take positive action wherever appropriate. We will also involve or assist our clients in pursuing appropriate environmental opportunities.

I am confident that, with the usual high level of commitment and support of our people, we will meet these challenges.

On behalf of all our employees, I would like to thank our Chairman Tom Toynbee and the members of the Board of Directors for their excellent counsel and enthusiastic support during the year. I would also like to thank our Minister Responsible, the Honourable Carol Gran, for her interest and support. We said farewell to two Board members: Jim Chabot who passed away suddenly and John Wittenberg who left the Board after four years of dedicated service. The contribution made by both these members will be remembered. Late in the year, we were pleased to welcome to the Board Dorothy Coulter of Armstrong and Mac Christie of Burnaby; we are looking forward to working with them.

My deep appreciation and thanks are extended to all employees for their dedication and hard work in meeting the demands of the past year. I am pleased that a number of new people have joined us, bringing their fresh perspectives with them, and I am looking forward to continuing to work with our people in the future.

Dennis Truss
President and Chief Executive Officer

Financial Report 1990

Management's Report

The financial statements of British Columbia Buildings Corporation have been prepared by management in accordance with generally accepted accounting principles consistently applied and appropriate in the circumstances. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized in the notes to financial statements. The external auditors appointed by the Board of Directors have examined the financial statements which have also been reviewed by the Audit Committee and approved by the Board.

The Audit Committee, comprised of non-management members of the Board of Directors, meets periodically with internal auditors, the external auditors, and management, to ensure that each group is fulfilling its obligations.

Management depends upon a system of internal accounting controls that provide reasonable assurance, on a cost effective basis, that the financial information is reliable and accurate. This system is maintained through the performance of a comprehensive internal audit program.

Dennis Truss
President and
Chief Executive Officer

Brian Kennedy
Vice-President and
Chief Financial Officer

Auditors' Report

To the Lieutenant-Governor-in-Council Province of British Columbia

We have examined the balance sheets of British Columbia Buildings Corporation as at March 31, 1990 and 1989 and the related statements of income, retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of British Columbia Buildings Corporation as at March 31, 1990 and 1989 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles applied on a consistent basis.

Chartered Accountants
Vancouver, Canada
May 4, 1990

Balance Sheet

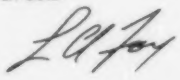
as at March 31

$ thousands	1990	1989
ASSETS		
Real estate investments		
Income-producing properties (note 2)	**535,972**	531,692
Income-producing properties under construction (note 3)	**133,851**	64,054
Land held for development (note 4)	**8,246**	7,753
	678,069	603,499
Corporate properties and equipment (note 5)	**7,486**	7,731
Unamortized debt discount and issue expenses	**14,447**	4,390
Other assets (note 6)	**19,331**	28,262
	719,333	643,882
LIABILITIES		
Long-term debt (note 7)	**373,280**	319,783
Notes payable to the Province of British Columbia (note 8)	**12,182**	22,487
Short-term debt (note 9)	**137,317**	111,019
Other liabilities (note 10)	**69,370**	81,010
EQUITY		
Contributions by the Province of British Columbia (note 11)	**55,528**	55,528
Retained earnings	**71,656**	54,055
	719,333	643,882

Commitments (note 12)

ON BEHALF OF THE BOARD:

Len Fox, Director



Robert E. Parkinson, Director

The accompanying notes are an integral part of these statements.

Statement of Income

for the year
ended March 31

$ thousands	1990	1989
REVENUE		
Rentals	**241,252**	235,741
Other income	**25,331**	24,384
	266,583	260,125
EXPENSES		
Property management	**76,509**	68,500
Leases	**60,093**	53,961
Depreciation	**32,172**	31,003
Energy	**12,347**	13,210
Property taxes and grants	**10,510**	11,230
General and administrative	**8,155**	8,408
	199,786	186,312
Income before interest	**66,797**	73,813
Interest (note 13)	**47,679**	45,655
NET INCOME	**19,118**	28,158

Statement of Retained Earnings

for the year
ended March 31

$ thousands	1990	1989
Balance, beginning of year	**54,055**	48,609
Net income	**19,118**	28,158
	73,173	76,767
Dividend	**1,517**	22,712
Balance, end of year	**71,656**	54,055

The accompanying notes are an integral part of these statements.

Statement of Changes in Financial Position

for the year ended March 31

$ thousands	1990	1989
OPERATING ACTIVITIES		
Net income	**19,118**	28,158
Non-cash items – depreciation and amortization	**35,608**	33,516
– gains on disposal of properties	**(3,284)**	(6,600)
Other assets and liabilities, net change	**(5,118)**	12,683
	46,324	67,757
FINANCING ACTIVITIES		
Long-term debt issued	**129,361**	–
Long-term debt repayments	**(56,478)**	(11,476)
Increase in sinking funds	**(19,386)**	(16,270)
Decrease in notes payable to the Province	**(10,305)**	(10,306)
Increase in short-term debt	**26,298**	68,929
	69,490	30,877
INVESTMENT ACTIVITIES		
Real estate investments	**(110,208)**	(76,564)
Sale proceeds from disposal of properties	**9,322**	13,318
Corporate properties and equipment	**(2,327)**	(1,579)
	(103,213)	(64,825)
DIVIDENDS		
Dividend declared	**(1,517)**	(22,712)
Increase (decrease) in dividend payable	**(21,195)**	(253)
	(22,712)	(22,965)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(10,111)**	10,844

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

March 31, 1990 ($ thousands)

1. ACCOUNTING POLICIES

The Corporation is incorporated under the British Columbia Buildings Corporation Act as a Crown Corporation of the Province of British Columbia, and is an agent of the Crown.

(a) Real Estate Investments

Real estate investments and corporate properties and equipment are recorded at cost less accumulated depreciation. In addition to land and direct costs, amounts capitalized to real estate investments during development and construction include property taxes and the applicable portion of both interest on general borrowings and general and administrative expenses.

(b) Depreciation

Real estate investments and corporate properties and equipment are depreciated on an individual basis by the straight-line method over their estimated useful lives or lease terms. Depreciation is prorated by month in the year of acquisition or disposal.

The estimated useful lives or lease terms of income-producing and corporate properties are between five and forty years. The estimated useful lives of all other assets are between three and ten years.

(c) Income Taxes

The Corporation is exempt from Federal and Provincial income taxes.

(d) Sinking Funds

Payments made to sinking funds with respect to retirement provisions of sinking fund bonds and debentures, together with accumulated sinking fund earnings, are netted against the related debt. The related sinking funds will be applied against the bonds or debentures when they are redeemed and cancelled. Interest earned on the sinking funds is treated as interest income with a corresponding increase in the sinking funds.

(e) Amortization of Debt Discount and Issue Expenses

Debt discount is amortized by the effective rate of interest method and issue expenses are amortized on a straight-line basis, both over the terms of the applicable debt.

(f) Cash and Cash Equivalents

Cash and cash equivalents for purposes of the Statement of Changes in Financial Position includes cash and temporary investments, net of bank indebtedness.

(g) Rentals Received in Advance

Rentals received in advance are amortized using the effective rate of interest method over a period of approximately ten years.

2. INCOME-PRODUCING PROPERTIES

	1990	1989
Net book value:		
Cost	**770,856**	746,733
Accumulated depreciation	**(234,884)**	(215,041)
	535,972	531,692
Activity:		
Net book value, beginning of year	**531,692**	519,660
Properties transferred from income-producing properties under construction	**37,585**	45,370
Acquisitions (Disposals), Net	**(4,277)**	(5,346)
Depreciation expense	**(29,028)**	(27,992)
Net book value, end of year	**535,972**	531,692

3. INCOME-PRODUCING PROPERTIES UNDER CONSTRUCTION

Balance, beginning of year	**64,054**	34,804
Direct development and construction costs	**94,251**	67,101
Capitalization of:		
Interest	**6,882**	3,743
General and administrative expenses	**6,249**	3,776
Cost of properties completed and transferred to income-producing properties	**(37,585)**	(45,370)
Balance, end of year	**133,851**	64,054

4. LAND HELD FOR DEVELOPMENT

Balance, beginning of year	**7,753**	7,842
Capitalization of interest and property tax	**244**	79
Acquisitions (Disposals), Net	**249**	(168)
Balance, end of year	**8,246**	7,753

Notes to the Financial Statements

March 31, 1990 ($ thousands)

5. CORPORATE PROPERTIES AND EQUIPMENT

	1990	1989
Cost:		
Office and data processing equipment	**12,535**	11,240
Corporate properties and leasehold improvements	**3,163**	3,191
Maintenance equipment	**2,659**	2,443
Vehicles	**3,771**	3,244
	22,128	20,118
Accumulated depreciation	**(14,642)**	(12,387)
	7,486	7,731

6. OTHER ASSETS

Temporary investments, at cost, with the Province of British Columbia	**–**	11,000
Accounts receivable:		
– Province of British Columbia	**14,346**	13,464
– Other	**4,306**	2,428
Prepaid expenses	**679**	1,370
	19,331	28,262

7. LONG-TERM DEBT

	1990	1989
Principal outstanding:		
32 series at an average effective interest rate of 11.75% maturing at various times to 2005 (1989 - 27 series at an average effective interest rate of 11.96%)	**467,504**	394,621
Sinking funds on deposit with the Minister of Finance and Corporate Relations for British Columbia, relating to long-term debt of $357,727 (1989 - $313,041)	**(94,224)**	(74,838)
	373,280	319,783

At March 31, 1990, the coupon rates on the long-term debt ranged from 5.25% to 15.69% (1989 - 8.50% to 15.69%).

Of the long-term debt outstanding, $277,361 (1989 - $193,000) is payable to the Minister of Finance and Corporate Relations for British Columbia. The Province has unconditionally guaranteed the principal and interest of all other long-term debt issued by the Corporation.

At the option of the Minister of Finance for Canada, Sinking Fund Debentures with an aggregate principal of $165,041 maturing between 1997 and 2003 may be called prior to maturity under certain conditions on six months written notice.

Principal payments, net of projected sinking fund balances at maturity, and sinking fund payments for each of the next five years:

1990/91	**22,527**
1991/92	**46,119**
1992/93	**68,294**
1993/94	**15,822**
1994/95	**60,797**

Notes to the Financial Statements

March 31, 1990 ($ thousands)

8. NOTES PAYABLE TO THE PROVINCE OF BRITISH COLUMBIA

The promissory notes are non-interest bearing, callable on 30 days notice, and repayable semi-annually in varying amounts to March 31, 1992, as follows:

1990/91	**10,306**
1991/92	**1,876**
	12,182

9. SHORT-TERM DEBT

The interest rates on short-term debt range from 11.32% to 13.27% (1989 - 11.09% to 12.87%), and result in an effective interest rate of 12.56% (1989 - 11.92%) for the notes outstanding. Included in short-term notes is $137,317 (1989 - $102,154) payable to the Minister of Finance and Corporate Relations for British Columbia. These notes mature at varying dates to January 10, 1991.

10. OTHER LIABILITIES

	1990	1989
Due to bank, unsecured	**498**	1,387
Accounts payable and accrued liabilities	**27,608**	25,852
Holdbacks	**11,650**	4,623
Accrued interest payable:		
- Province of British Columbia	**10,479**	7,961
- Other	**6,130**	6,218
Rentals received in advance from the Province of British Columbia	**11,488**	12,257
Dividend payable	**1,517**	22,712
	69,370	81,010

11. CONTRIBUTIONS BY THE PROVINCE OF BRITISH COLUMBIA

	55,528	55,538
Balance beginning of year		
Land returned to the Province	**-**	10
Balance, end of year	**55,528**	55,528

12. COMMITMENTS

The Corporation estimates that the cost to complete projects under construction will be $52,000 of which $27,000 has been committed.

The Corporation has entered into leases with third parties to provide space for its client ministries and its head office for varying periods up to the year 2037, at a total aggregate net rental of approximately $243,000. Most leases are for between five and ten years and include renewal options.

Minimum annual lease payments which will be charged to operations in subsequent years, for leases committed at March 31, 1990:

1990/91	**53,000**
1991/92	**47,000**
1992/93	**38,000**
1993/94	**30,000**
1994/95	**22,000**
Post 1994/95	53,000

13. INTEREST

	1990	1989
Interest on long-term debt	**47,448**	45,433
Other interest	**12,979**	7,987
Amortization of debt discount and issue expenses	**3,435**	2,513
	63,862	55,933
Deduct:		
Interest earned	**9,250**	6,499
Interest capitalized	**6,933**	3,779
	16,183	10,278
	47,679	45,655

14. RELATED PARTY TRANSACTIONS

The Corporation received 83% of its total revenues from Provincial Government ministries. These revenues consist primarily of rents that are determined with reference to market; however, in such cases where comparable market rates do not exist, rents are based on the amortization of the capital costs.

Real Estate

Real estate is at the heart of British Columbia Buildings Corporation business, and the addition of the Space Management Department to the Corporation's Real Estate Group a year ago was an evolutionary move that made good business sense.

Focussed and highly functional, the Group, which came into being just three years ago, has become an effective part of BCBC's big service picture, complementing the Corporation as a supplier to the ministries of government and in turn, the taxpayers of British Columbia.

The Real Estate Group has a simple, economic mandate. It is responsible for ensuring that the Corporation's real estate assets generate the best possible return on investment.

It accomplishes this by directing the Corporation's pricing policy, and through analysis and rationalization of the Corporation's real estate portfolio. As with many of the ways BCBC does things, the Group incorporates the best features, but just as importantly, the best attitudes of the private sector.

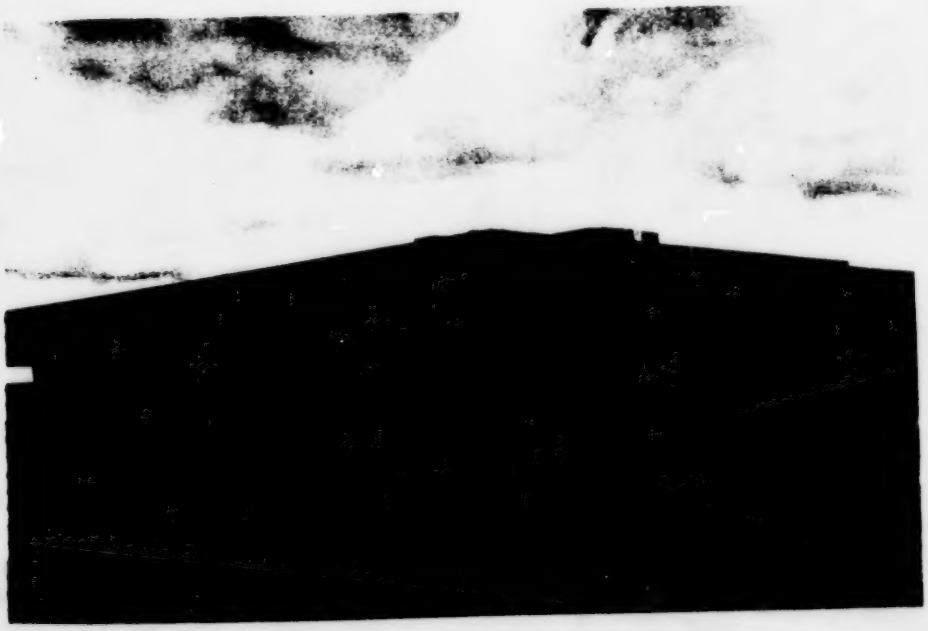
By design, it is a carbon copy of similar groups in the biggest and best real estate companies. There is a knowledge and an understanding among the people who serve the Group that BCBC is an owner of real estate that must be managed in the most efficient way possible, that people are accountable for their decisions.

The Group's 46 people, many with a strong academic and professional real estate background, concern themselves with everything from sales to acquisitions, to leasing, to real estate investment analysis, to space planning, appraisals, zoning and development applications, and of course always staying knowledgeable of the ever changing real estate market, where throughout the life of the Corporation, there have been three distinct cycles.

The Group achieves its goals through four clearly defined departments:—

The Real Estate and Portfolio Management Department ensures the most effective use of BCBC's portfolio of owned and leased space by preparing portfolio management policy papers and formulating community strategic plans which endeavor to balance supply with anticipated demand and through the systematic real investment analysis of owned properties. In implementing its plans, the department is responsible for all property acquisitions and disposals including surveys and rezoning applications.

The Pricing and Economic Analysis Department establishes



The Vanderhoof Forests District Office that was completed recently. Construction of this developer-lease project was overseen by the Corporation and the building is now leased from the private developer for Forests.

market based occupancy charges for all properties and, through economic studies, analyzes the economic implications of contemplated projects in owned and leased properties.

The Leasing Department is directly responsible for leasing space from the private sector. Its work includes negotiations for new and renewal leases, and lease processing and documentation for sub-leases and Corporate lets.

The Space Management Department maintains a detailed inventory of the Corporation's portfolio of space. It reviews all client requests, preparing plans and recommendations on a project by project basis to ensure that the Corporation's real estate holdings are effectively used consistent with long-term strategic plans and the future needs of the client.

The depth of BCBC's Real Estate Group now makes it possible for the individuals working within it to provide a three dimensional focus on demands, how they relate to need, how they can be correlated to existing or required building assets.

When the real estate needs of a multi-ministry government are considered, the Group's position is to look objectively—perhaps even more so than in the past—at the total needs picture, the long term benefits.

As an example, where individual ministries may now be supplying community services from four separate owned or leased buildings of varying age and efficiency, the Real Estate Group weighs demand with supply to provide the best all-round space solutions—all with a view to reducing the end cost to government.

The solution, in the example, may be to bring all of the services into one new building for benefits that can be counted in a number of space sharing and cost saving ways. This also illustrates how the Group must think of the long-term, weighing the effects on all aspects of Corporation planning while still meeting client requirements.

Important too in BCBC's current thinking is the question of how the required space might be supplied. The preferred alternative now and in the future will continue to be leased spaced—from available pools, or in space privately developed and leased back by BCBC. The advantage is that short-term needs for space can be met without high capital costs.

Generally speaking, a building for the long term, such as a correctional facility or a courthouse, would likely be built and owned. One for the shorter term, such as a regional forestry centre, might be leased. Each project, however, will be reviewed on its merits using leased-owned criteria now being refined.

In the past year, leasing activity has increased significantly, now up to almost six million of the 20 million square feet in BCBC's overall port-

Real Estate and Portfolio Management Department Manager Chris Schreiber talks with Operations Supervisor Larry LeCompte at the Burnaby Correctional Centre for Women. Real Estate negotiated purchasing the site and obtaining the zoning changes to permit construction of the centre. Inmates will be transferred to the centre from Oakalla, and Real Estate has been involved during the year in preparing for the sale of the Oakalla Lands.

folio. The number of leases climbed from 913 in March, 1989, to almost 1,000 in March of this year. Space leased represents more than 26% of the Corporation's total portfolio, compared with 22% just four years ago.

Flexibility is the key word in the leasing program. Not every ministry program is long term; many of the leases are for small space areas and significantly, BCBC is able to negotiate very competitive rates in the markets it enters and to provide long term security for its landlords.

All of these considerations become more important as BCBC's portfolio of buildings, inherited over 12 years ago from Public Works, continue to age, or become less effective because of technological change. A number of buildings fit into this category and major decisions, such as retrofitting, will have to be made as to their future usefulness.

The same decisions apply for building programs that were delayed or postponed in periods of restraint. Increased building may come in the future, but the overriding criteria will be to use assets more carefully than ever before. New buildings may come, but there will not necessarily be a net increase in overall space.

BCBC builds, but it also disposes of properties that are no longer required or economically justifiable. The Group has sold some 500 such buildings in the last five years which has contributed an average $4.5 million per annum to the bottom line.

Reduction in occupancy costs is also paramount. By managing charges along private sector lines, and using market pricing benchmarks continually, occupancy costs as a percentage or the provincial budget have been reduced from 3.24% in 1978-79 to the current figure of just 1.75%.

Vacant space has been reduced to just over 3%, which compares favorably with the vacancy rate in real estate managed by the private sector.

Through its strategic planning process, the BCBC Real Estate Group is continually researching specific community building needs in the province. After weighing current and future requirements it will make development recommendations to its ministerial clients that in BCBC's view will serve the most users most effectively. All of this activity is conducted in conjunction with other BCBC departments, a demonstration of commitment to the Corporation's team approach to business.

Today, BCBC makes strong, well researched market based recommendations to the ministries it serves, giving good reasons for the proposed building direction it proposes to take. The track record of the Corporation in this area has been excellent.

BCBC seeks out the best teachers. The fine tuning of portfolio management, for instance, has meant getting close to the best in the private sector business, talking to pension fund managers who, like BCBC, are also trustees of significant blocs of capital and must incorporate the same kind of strategies and long-term planning into the conduct of business.

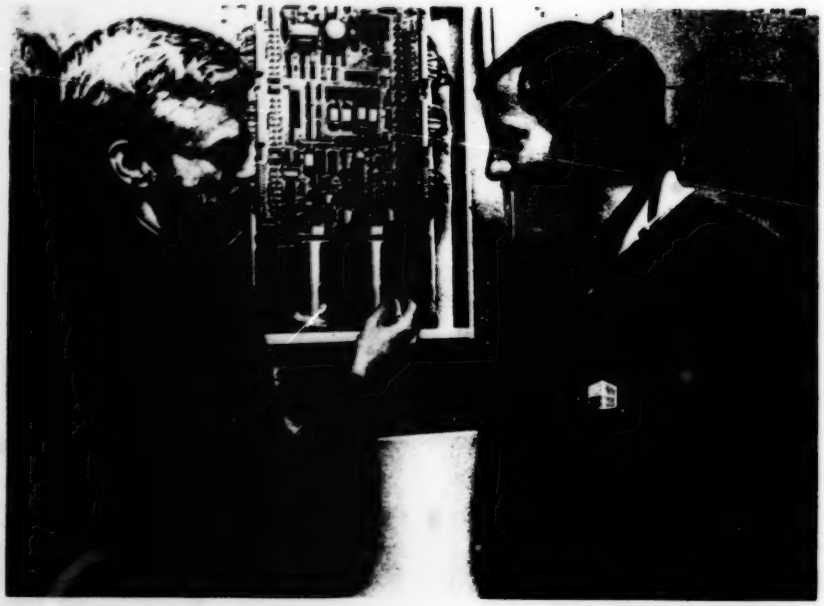
While BCBC is not in the land development business, it does have major land holdings in its portfolio and is responsible for their effective use. This means that before disposing of surplus land the corporation uses the private sector model, a development process to realize the land's best potential use and price.

Concerning the Oakalla correctional facility in Burnaby, for instance, the Group is proceeding through a rezoning program with the Municipality of Burnaby to ensure that the land will be available for sale and development when the facility is vacated by 1991. The zoning proposal currently calls for multi-family units in 11 separate parcels.

For the future? Cognizant always of its "market", of being close to people it must serve, the Group will continue to move toward a more regional approach to its functions—as BCBC has done throughout the province.

Achievements

Human Resources and Corporate Affairs Department Manager Grant Close receiving an autographed copy of The Financial Post's book The 100 Best Companies to Work For in Canada from the author Eva Innes. The British Columbia Buildings Corporation and a federal corporation were the only two Crown agencies listed. The Corporation rated in the sixth highest of 17 groupings.



Energy Management Co-ordinator Kevin Jeffries talks with Operations Supervisor Dave Bowbyes about the energy management control system in the Dogwood Building, Victoria. Fuel consumption in this heritage building has been reduced 25 per cent by the system which gained an international energy conservation award in the American Society of Heating, Refrigerating, and Air-Conditioning Engineers world finals. The system was devised by Kevin and the building is among those operated by Dave.

Protecting the environment is a corporate concern. As an expansion of the Corporation's highly successful energy management program, an Environment Plus Committee has been formed. It embraces the Corporation with a value statement that "B.C. Buildings will actively operate as an environmentally responsible citizen". Some environmental programs are joint ventures with clients, such as at the British Columbia Mental Health Society's Riverview Hospital in Coquitlam. Society Production and Inventory Industrial Services Manager Pat Horie and the Corporation's local Administrative Co-ordinator Carolynn Langdale.

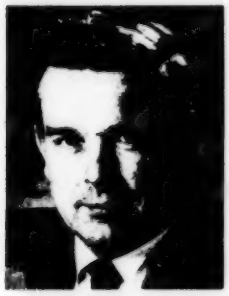
Operations Superintendent Daryl Amos with his daughter Sara who was the poster child for the United Way campaign in Nanaimo. From throughout the province the corporate employee donation was $43,894. Despite a decreasing number of employees, each year a new record of generosity is set. Many employees have worked as loaned representatives to the United Way and others have served on various campaign committees.

Corporate Management

President and Chief Executive Officer Dennis Truss
General Counsel and Assistant Secretary Stephan Marmash

Marketing and Client Services Group
Vice-President John Bidlake

Departments
Marketing Director Bill Bird
Client Services Director Bill Robertson



Development Group
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Departments
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Project Management Manager Peter Moyles
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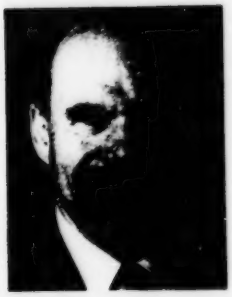
Real Estate Group
Vice-President John Robinson

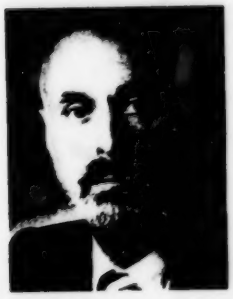
Departments
Leasing Manager Gary James
Pricing and Economic Analysis Manager Bill Blair
Real Estate and Portfolio Management Manager Chris Schreiber
Space Management Manager Bob Brandle



Property Management Group
Vice-President Al Kemp

Departments
Administrative Support Manager Effie Fahey
Energy and Environment Manager Jack Meredith

Regions
1 (Vancouver Island) Director Jim Harrison
2 (Lower Mainland) Director Evan Brewer
3 (Southern to Northern B.C.) Director Wray White



Administration Group
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Departments
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Finance and Corporate Planning Manager Jim Alexander
Human Resources and Corporate Affairs Manager Grant Close
Internal Audit Manager Walter Monasch
Management Systems Manager Lak Parmar
Organizational and Staff Development Manager Bill Heschuk

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Vancouver, B.C.

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